

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 EURE-00 SSO-00 NSCE-00

USIE-00 INRE-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-01 PRS-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 /101 W

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O R 291440Z SEP 76

FM AMEMBASSY ROME

TO SECSTATE WASH DC IMMEDIATE 228

TREASURY DEPT WASH DC IMMEDIATE

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

AMCONSUL NAPLES

USMISSION GENEVA

USDEL MTN GENEVA

FLORENCE 1344

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MANILA PASS SECRETARY SIMON PARTY FOR WIDMAN:

STATE PASS FRB

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: PRESS SPECULATES ABOUT PHASE-OUT OF PRIOR DEPOSIT

1. ON SEPTEMBER 29, ITALIAN PRESS SPECULATED ABOUT TEMPORARY EXTENSION OF PRIOR DEPOSIT BEYOND NOVEMBER 3 TERMINATION DATE. DEPOSIT WOULD BE CONTINUED BOTH FOR BALANCE OF PAYMENTS AND FOR DOMESTIC LIQUIDITY REASONS. CORRIERE DELLA SERA, QUOTING "INFORMED SOURCES AT MINISTRY OF TREASURY," REPORTS THAT MINISTER OF OF FOREIGN TRADE OSSOLA IS IN FAVOR OF TEMPORARY CONTINUATION OF PRIOR DEPOSIT EITHER THROUGH 3-6 MONTH EXTENSION IN PRESENT FORM OR, MORE LIKELY, THROUGH GRADUAL REDUCTION IN AMOUNT OF DEPOSIT. CORRIERE SPECULATES THAT DEPOSIT WOULD BE REDUCED TO 40 PERCENT ON NOVEMBER 3 AND GRADUALLY BE ELIMINATED OVER COURSE OF FOLLOWING 6 MONTHS.

2. CORRIERE ARTICLE SUGGESTS THAT THERE MIGHT BE SOME OPPOSITION IN EUROPEAN COMMUNITY TO CONTINUATION OF PRIOR DEPOSIT, SINCE THIS MIGHT LEAD TO ADOPTION OF PRIOR DEPOSIT IN FRANCE AND UK, AND SINCE GERMANY REPORTEDLY URGED ITALIANS TO ELIMINATE DEPOSIT DURING RECENT GOLD-LOAN RE-NEGOTIATIONS, HOWEVER, ARTICLE CONCLUDES THAT EC WOULD APPROVE AN EXTENSION IN ORDER TO AVOID RISK OF CHAIN REACTION OF DEVALUATIONS WHICH MIGHT OCCUR IF LIRA WERE NO LONGER PROTECTED BY PRIOR DEPOSIT.

3. ON SAME DAY, IL GIORNALE CLAIMED THAT EC HAS ALREADY SEMI-OFFICIALLY AGREED TO SIX-MONTH PHASE-OUT OF PRIOR DEPOSIT.

4. COMMENT:- BANK OF ITALY SOURCE AFFIRMS THAT PRIOR DEPOSIT WILL, IN FACT, BE GRADUALLY PHASED OUT, BEGINNING EARLY IN OCTOBER (NOT NOVEMBER).VOLPE

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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